

DEFICIT REDUCTION ACT HOUSE-SENATE CONFERENCE AGREEMENT MEDICAID DRUG COST-SHARING PROVISIONS

The Deficit Reduction Act for the first time allows states to use cost sharing to reduce Medicaid drug spending and encourage beneficiaries to increase their use of generic drugs. These reforms will encourage greater awareness of costs and to promote utilization of more appropriate and cost-effective drugs.

- Allowing states to impose co-payments for drugs will create strong incentives for beneficiaries to use lower cost, but equally effective generic versions of many popular drugs.
- These reforms will also give states the ability to better negotiate with drug manufacturers and force them to provide lower prices.
- The Deficit Reduction Act allows States the flexibility to establish preferred-drug plans:
 - States may impose higher cost-sharing amounts for non-preferred drugs within a class;
 - States may waive or reduce the cost-sharing otherwise applicable for preferred drugs within such class
- Cost-sharing for non-preferred drugs may not exceed:
 - Nominal amounts for individuals in families with income below or equal to 150% FPL;
 - 20% of the cost of the drug for individuals in families with income above 150% FPL;
 - Co-payments for drugs and other Medicaid cost sharing may together never exceed more than 5% of a beneficiaries' income.
- Beneficiaries with incomes below the Federal Poverty Level can never be charged any cost-sharing if they use preferred drugs.
- Permits either lower or no cost-sharing amount for preferred drug to be charged for non-preferred drug if physician determines preferred drug would be ineffective and/or produce adverse effects.